

PUBLIC DISCLOSURE

APRIL 10, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

METHUEN CO-OPERATIVE BANK

243 BROADWAY
METHUEN , MA 01844

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **METHUEN CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

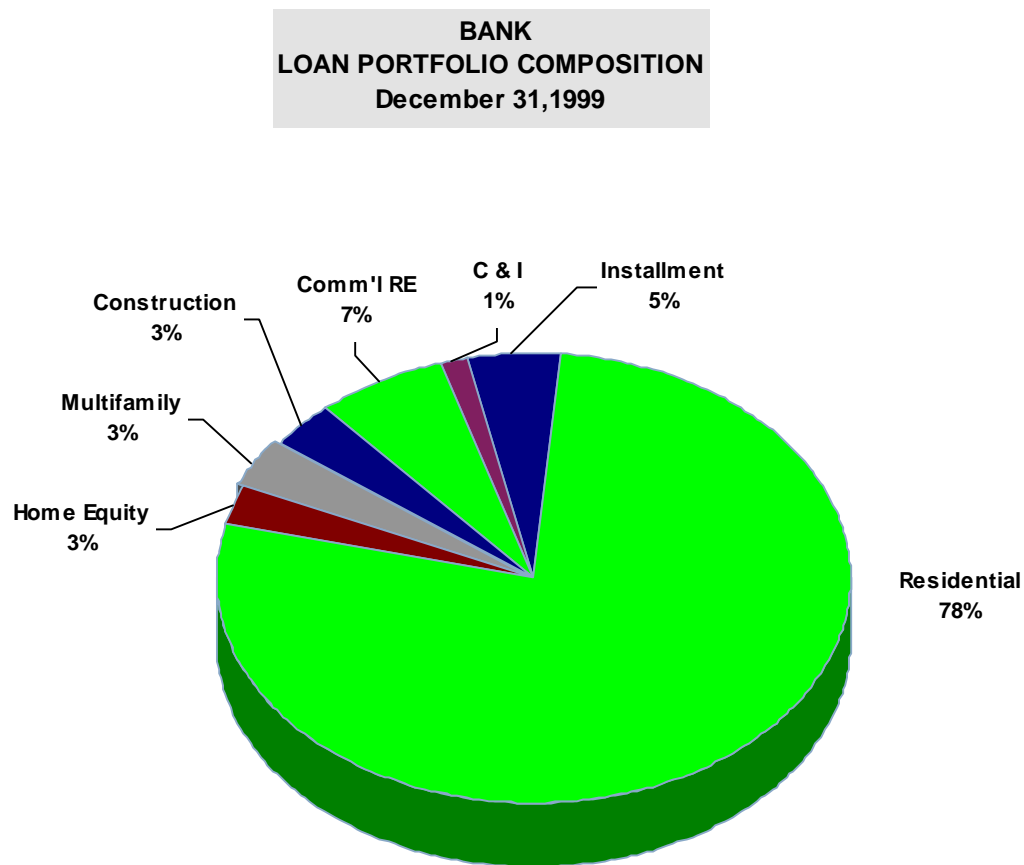
The bank's CRA rating is based on five performance criteria which are evaluated within the bank's performance context. The bank's satisfactory rating is based on: (1) an average net loans to deposits ratio of 57.7%; (2) less than a majority of loans granted within its assessment area; (3) a reasonable lending distribution among borrowers of different income levels; (4) reasonably distributed lending among census tracts of different income levels and finally; (5) satisfactory implementation of fair lending policies and procedures. No discriminatory lending practices were noted. The bank received no CRA complaints.

PERFORMANCE CONTEXT

Description of Institution

Methuen Co-operative Bank is a community based financial institution incorporated in 1923. The bank operates its sole office at 243 Broadway (Route 28) in the Town of Methuen. This full service office provides a drive-up window with extended hours and a 24-hour drive-up ATM with network access. Methuen Co-operative opened a new expanded bank building in November 1998, replacing a much smaller older building. The former building was torn down to provide a parking area.

As of December 31, 1999, total assets were \$52.1 million of which total loans represented \$28.9 million or 55.5% of total assets. The chart depicts the institution's loan portfolio composition based on the December 31, 1999 FDIC Call Report of Condition.



Residential first mortgage loans secured by 1-4 family dwellings represent the majority (78.0%) of the bank's loan portfolio. The remaining loan portfolio consists of commercial real estate and commercial & industrial loans (C&I loans); home equity/second mortgages; installment loans; multifamily loans (5 units or more) and construction loans.

Methuen Co-operative Bank is primarily a mortgage lender with diversification in the commercial and consumer lending areas. The bank is an approved Federal Home Loan Mortgage Corporation (FHLMC) seller/servicer. The bank sells all first mortgage loans with a greater than 15-year term to either FHLMC or to Nationsbank, a secondary market intermediary. Methuen Co-operative Bank sold 58 mortgage loans totaling \$7.2 million in 1998 and 1999 combined. The institution's ability to meet community credit needs remains adequate based on its resources, size and product offerings.

The bank has direct competition from several financial institutions as well as numerous mortgage companies. In 1998, the top five competitors for mortgage lending within the bank's defined assessment area were: (1) Countrywide Home Loans; (2) Andover Bank; (3) Lawrence Savings Bank; (4) Fleet Mortgage Corporation; and (5) Peoples Heritage Bank. These lenders combined held a 23.1 percent market share of all mortgage loan originations reported under the requirements of the Home Mortgage Disclosure Act (HMDA). Based on aggregate HMDA data for 1998, Methuen Co-operative Bank ranked seventeenth (of all HMDA reporting lenders within its defined assessment area) and held 1.6 percent market share. There were a total of 231 HMDA reporting mortgage lenders active within the assessment area in 1998.

The Division of Banks last conducted a CRA evaluation as of March 18, 1998. The evaluation resulted in a "Satisfactory" rating. The FDIC also conducted a CRA evaluation as of March 18, 1998, which resulted in a "Satisfactory" rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires a financial institution to define an assessment area within which it will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Methuen Co-operative Bank defines its assessment area as the Town of Methuen. Methuen is located within the Lawrence MA-NH primary metropolitan statistical area (PMSA) on the Massachusetts-New Hampshire border. A PMSA is designated within a larger metropolitan area (MA) whose population exceeds one million people. The Lawrence MA-NH PMSA is part of the Boston MA-NH consolidated metropolitan statistical area (CMSA). The Lawrence MA-NH PMSA median Family Household Income (FHI) was \$56,700 for 1998 and \$57,900 for 1999.

The Town of Methuen has a population of 40,020 residents. Methuen contains nine census tracts; of which one is a moderate-income tract and eight are middle income tracts. There are no low-income or upper income census tracts within the town.

The following table identifies the nine census tracts by the tract number and provides details on each based on 1990 U.S. Census data.

ASSESSMENT AREA DEMOGRAPHICS						
Census Tracts	Median Family Income	% Median PMSA Income	Family Households		Low & Moderate Income Families	
2521.01	\$43,298	92.9%	926	8.6%	375	8.9%
2521.02	\$55,283	118.6%	913	8.5%	224	5.3%
2522.00	\$50,156	107.6%	1,548	14.3%	463	11.0%
2523.00	\$39,881	85.6%	1,328	12.3%	621	14.7%
2524.00	\$23,487	50.4%	1,051	9.7%	729	17.2%
2525.01	\$40,903	87.8%	976	9.1%	434	10.3%
2525.02	\$51,152	109.8%	1,236	11.5%	345	8.2%
2526.01	\$45,658	98.0%	1,440	13.3%	551	13.0%
2526.02	\$49,250	105.7%	1,366	12.7%	485	11.4%
TOTALS			10,784	100.0%	4,227	100.0%

Table A1 Source: 1990 U.S. Census Data.

The median family income for the eight middle income tracts/geographies ranged from \$39,881 (or 85.6% of the PMSA median FHI) to \$55,283 (or 118.6% of the area median income). Of the 10,784 families residing within the town 9,733 or 90.3% reside within the middle income tracts. Of the 9,733 families, 16.2% are low-income families and 19.8% are moderate-income families. There are 325 families or 3.3% of all families within the middle income tracts residing below the poverty level.

The one moderate-income tract contains central Methuen and part of the Arlington neighborhood, which extends into the City of Lawrence. This tract has a median family income of \$23,487 or 50.4% of the PMSA median family income. Of the 1,051 families residing here, 49.9% are low-income and 19.5% are moderate-income families. There are 310 families or 29.5% of all families within the moderate-income census tract that are living below the poverty level. The Massachusetts statewide level for families living below the poverty level was 6.7%.

The following table details by census tract the percentage of housing units that are owner occupied and renter occupied dwellings.

ASSESSMENT AREA HOUSING DATA				
Census Tract	Total Housing Units		% Owner Occupied	% Renter Occupied
	#	%		
2521.01	1,469	9.5	57.8%	42.2%
2521.02	1,064	6.9	85.0%	15.0%
2522.00	1,945	12.6	83.2%	16.8%
2523.00	2,435	15.8	45.9%	54.1%
2524.00	1,562	10.1	32.5%	67.5%
2525.01	1,387	9.0	61.5%	38.5%
2525.02	1,666	10.8	80.4%	19.6%
2526.01	2,129	13.7	72.3%	27.7%
2526.02	1,791	11.6	79.0%	21.0%
TOTALS	15,448	100.0		

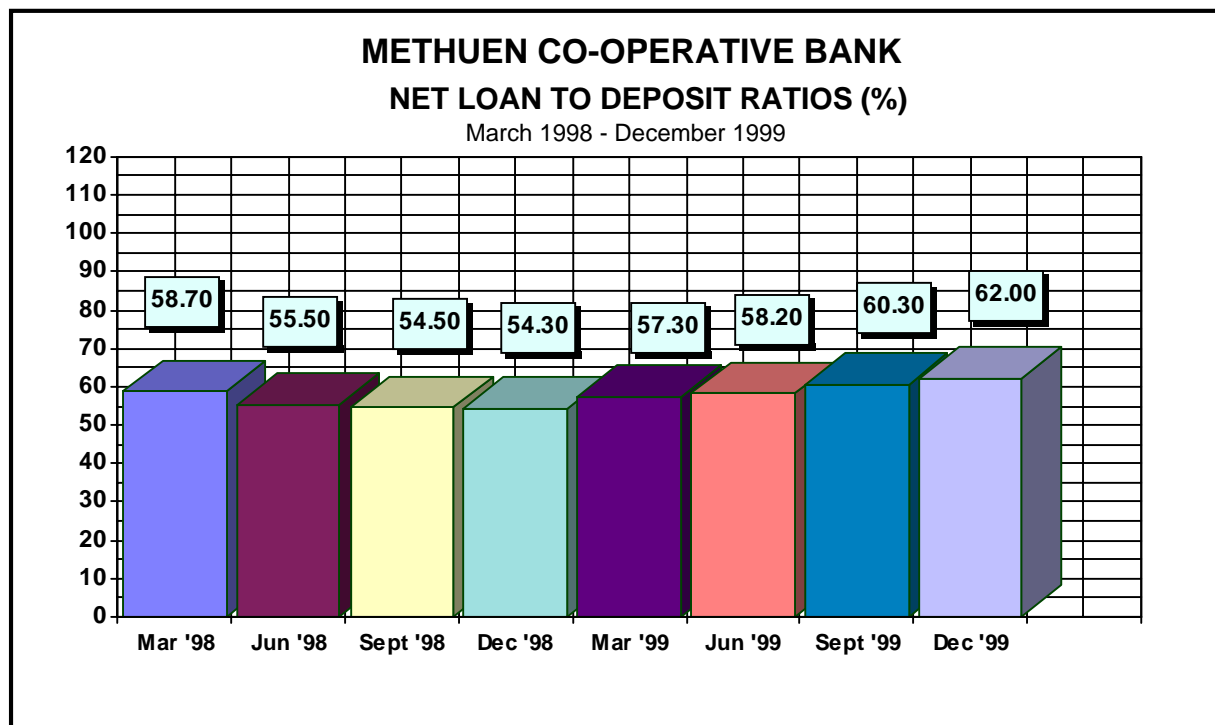
The percentage of owner occupied housing units is lowest (32.5%) within the moderate-income census tract (#2524.00). The percentage of owner occupied units within the middle tracts ranged from 45.9% to 85.0% of all housing units within these individual tracts. The three lowest levels of owner occupied units exist within tracts where the median family incomes are also lower. There is often a correlating relationship between a tract's median income levels and owner occupied housing levels. In addition, the composition of housing units can also affect owner occupied levels in a given geography. Overall, single family units in the Town of Methuen represented 62.5% of all housing units, while 2-4 family units represented 22.1% of all units. Based on 1990 U.S. Census data the median housing price for the moderate-income tract was \$131,900 and \$149,363 for the middle income geographies.

Methuen is situated in the Merrimack River Valley, which abounds in the history of the 19th century's Industrial Revolution. Today, Methuen's industrial parks are home to companies that include Columbo, McKesson, MicroTouch and Nabisco. Malden Mills manufacturer of "Polartec" a modern lightweight fiber is situated on the town's border with the City of Lawrence. Malden Mills gained national attention in 1995 when it experienced a tragic fire. Malden Mills continues the tradition of textile manufacturing reflecting the region's earlier industrial base and history.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This criterion evaluates the level and trend of the bank's net loan to deposit ratio. The average net loan-to-deposit ratio for the period from March 31, 1998 to December 31, 1999 is 57.7 percent. Methuen Co-operative Bank's performance is considered reasonable given community credit needs and the institution's lending capacity. The ratio analysis is based on data reported on the FDIC Call Reports. The following graph depicts the loan to deposit ratio level and trend for the quarters reviewed.



Net loans to deposits demonstrate a declining trend during 1998 due to negative loan growth of -2.8% coupled with deposit growth of 5.2%. The net loan to deposit ratio however, demonstrates an increasing trend during 1999 attributed to strong loan growth of 8.8% outpacing deposit growth of 0.5%. In addition, Methuen Co-operative Bank sold 58 mortgage loans totaling \$7.2 million in 1998 and 1999 combined and continues to sell all mortgage loans with term of 15 years or greater. The bank finds this a necessary and sound financial practice, nevertheless, its ratio of net loans to total deposits would be greater if sold loans were included in the loan portfolio.

Methuen Co-operative Bank's loan to deposit ratio was compared to other local community banks. The following table provides the loan-to-deposit ratio for the other institutions, as well as Methuen Co-operative Bank.

INSTITUTION	NET LOAN TO DEPOSIT RATIO
Andover Bank	115.1%
Lawrence Saving Bank	75.6%
Amesbury Co-operative Bank	71.2%
Haverhill Co-operative Bank	64.3%
Pentucket Five Cents Savings Bank	63.5%
Methuen Co-operative Bank	58.2%

Asset size for the above banks ranged (from largest to smallest) as follows: Andover Bank (\$1.4 billion); Lawrence Savings Bank (\$394.6 million); Pentucket Five Cents Savings Bank (\$201.7 million); and Amesbury Co-operative Bank (\$22.3 million). Methuen Co-operative Banks assets totaled \$53.2 million on December 31, 1999.

In conclusion, the average net loans to deposit ratio of 57.7% percent is reasonable and meets standards for a satisfactory rating given the bank's capacity to lend and the credit needs of the assessment area.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on Methuen Co-operative Bank's record of lending within its assessment area. The Community Reinvestment Act regulation requires that a majority of a financial institution's lending be within its defined assessment area. Methuen Co-operative Bank's residential lending activity within its assessment area represents less than a majority of loans granted and consequently, does not meet standards for a satisfactory performance.

The residential lending analysis utilizes the bank's Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) for 1998 and 1999. HMDA reportable loans include all home purchase mortgages, refinances of home purchase mortgages and home improvement loans.

During the period reviewed the bank granted 191 mortgage loans totaling \$19.3 million. Of these loans, 91 totaling \$9.2 million were granted inside the assessment area. This lending activity represented 47.6% (by number) and 47.7% (by dollars) of the total loans originated. The lending inside the assessment area does not constitute a majority of the loans granted. Conversely, residential lending activity outside the defined assessment area represented 52.4% (by number) and 52.3% (by dollars) of the total loans granted.

The tables below depict the lending activity inside and outside the assessment area, first by number and second by dollar volume.

Table 2a

RESIDENTIAL LOANS ORIGINATED BY NUMBER						
LOCATION	1998		1999		TOTALS	
	#	%	#	%	#	%
INSIDE ASSESSMENT AREA	43	48.3%	48	47.1%	91	47.6%
OUTSIDE ASSESSMENT AREA	46	51.7%	54	52.9%	100	52.4%
TOTALS	89	100.0	102	100.0	191	100.0%

Source: HMDA-LAR

Table 2b

RESIDENTIAL LOANS ORIGINATED BY DOLLAR AMOUNT						
LOCATION	1998		1999		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
INSIDE ASSESSMENT AREA	4,073	50.1	5,125	45.9%	9,198	47.7%
OUTSIDE ASSESSMENT AREA	4,057	49.9	6,031	54.1%	10,088	52.3%
TOTALS	8,130	100.0	11,156	100.0%	19,286	100.0%

Source: HMDA-LAR

Methuen Co-operative Bank's residential lending within the assessment area represents less than a majority of the loans granted. Consequently, the performance for this criterion does not meet the standards for a satisfactory rating.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This third performance criterion evaluates the extent to which the institution lends to borrowers of different income levels within its assessment area. The following analysis of borrower income distribution for residential lending activity in 1998 and 1999 demonstrates that the bank's lending meets the standards for satisfactory performance.

The distribution of loans by borrower income levels is based on the area median family income. The borrowers' income levels are identified as the ratio of the applicant's income to the area median family income. These income levels are defined as low-income (less than 50 percent of the area median income); moderate-income (50 to 79 percent of median family income); middle-income (80 to 119 percent of area median income); and upper-income (120 percent and greater of the area median income). The Lawrence, MA-NH PMSA median Family Household Income (FHI) was \$56,700 for 1998 and \$57,900 for 1999.

Tables 3a and 3b detail the bank's residential loan distribution by borrower income levels.

Table 3a

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Number)						
% OF MEDIAN MSA INCOME	1998		1999*		TOTALS	
	#	%	#	%	#	%
<50%	1	2.3	5	10.4	6	6.6
50%-79%	8	18.6	5	10.4	13	14.3
80%-119%	20	46.5	15	31.3	35	38.5
120%>	14	32.6	21	43.7	35	38.5
NA	0	0.0	2	4.2	2	2.1
TOTALS	43	100.0	48	100.0	91	100.0

Source: HMDA/LAR Data

Table 3b

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Amount)						
% OF MEDIAN MSA INCOME	1998		1999*		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	57	1.4	308	6.0	365	4.0
50%-79%	522	12.8	440	8.6	962	10.5
80%-119%	2,021	49.6	1,626	31.7	3,647	39.6
120%>	1,473	36.2	2,559	49.9	4,032	43.8
NA	0	0.0	192	3.8	192	2.1
TOTALS	4,073	100.0	5,125	100.0	9,198	100.0

Source: HMDA/LAR Data

As the above tables demonstrate, the bank granted low-income borrowers 6 loans totaling \$365,000, which represent 6.6% and 4.0%, respectively of the total 91 mortgages and \$9.2 million granted. The institution granted moderate-income borrowers 13 loans totaling \$962,000, which represent 14.3% and 10.5%, respectively of the total mortgage loans and dollar amount granted. There were 35 mortgage loans for \$3.6 million granted to middle income borrowers. This represented 38.5% (by number) and 39.6% (by dollars) of the total mortgage loans originated. Lastly, the bank granted upper income borrowers 35 loans totaling \$4.0 million, which represent 38.5% and 43.8%, respectively of the total HMDA reported mortgage loans.

The following table compares Methuen Co-operative Bank's distribution of mortgage originations by borrowers' income levels to the collective HMDA reported loan originations within the assessment area. The table also includes the assessment area's distribution of family household by income levels.

Table 3c

COMPARISON OF BANK'S LOAN DISTRIBUTION TO HMDA AGGREGATE DATA ¹										
BORROWER OR FAMILY INCOME LEVELS	**Family Households By income Levels		METHUEN CO-OPERATIVE BANK 1998				* 1998 AGGREGATE DATA			
			NUMBER OF LOANS		DOLLAR AMOUNT		NUMBER OF LOANS		DOLLAR AMOUNT	
	#	%	#	%	\$(000)	%	#	%	\$(000)	%
LOW (<50%)	2,098	19.5	1	2.3	57	1.4	149	5.5	11,424	3.2
MODERATE (50-79%)	2,129	19.7	8	18.6	522	12.8	519	19.2	46,345	13.1
MIDDLE (80-119%)	2,939	27.3	20	46.5	2,021	49.6	739	27.3	80,654	22.8
UPPER (120%&>)	3,618	33.5	14	32.6	1,473	36.2	793	29.2	105,565	29.9
NA (Not Available)	0	0.0		0.0	0	0.0	508	18.8	109,668	31.0
TOTAL	10,784	100.	43	100	4,073	100	2,708	100	353,656	100.0

Source: ** 1990 Census Data; *HMDA/LAR Data ¹©PCI Services, Inc. CRA WIZ

The bank's lending distribution to low-income borrowers is somewhat below the HMDA aggregate level, however the institution's lending to moderate-income borrowers corresponds well to the aggregate lenders' performance. The bank's lending to middle income borrowers is above the HMDA aggregate data and indicates a favorable distribution of lending to this income group. Furthermore, Methuen Co-operative Bank's distribution of mortgage loans to upper income borrowers corresponds reasonably to the aggregate lenders' distribution for this income group. It is notable however, that the HMDA aggregate lenders' level of lending to the NA (Not Available) borrower group represents the largest dollar volume of loans (31.0%) granted. The average loan size for this group is \$216,000 indicating that the majority of these borrowers are at the upper income level. Overall, the above comparison demonstrates that the bank's distribution of loans among borrowers of different income levels is adequate with solid lending patterns to moderate and middle income mortgage borrowers.

The bank's distribution of lending among all income levels of borrowers is generally proportional to the distribution of family households within the assessment area. The most notable differences are among the low-income and middle-income family households. The bank's distribution of lending to middle income borrowers is well above the demographic distribution of these families within assessment area.

Although, 75.0% of low-income families reside within the middle income census tracts, where owner occupied dwellings comprise 72.9% of occupied units, homeownership affordability/opportunity for low-income families is unfortunately limited. Methuen has the reputation of offering more modest housing cost than communities located closer to Boston. However, it is not anticipated that an institution's lending patterns correspond absolutely with the distribution of family households in its assessment area.

In summary, given the demographic distribution of families within the assessment area and the collective HMDA lenders distribution of loans, the bank's lending among borrowers of different income levels is considered reasonable and meets standards for a satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the assessment area based on the geographic distribution of loans. The analysis of the geographic distribution of residential loans, and a comparative analysis of 1998 HMDA aggregate data indicate that Methuen Co-operative Bank meets the standards for satisfactory performance.

Census tracts are defined as either low, moderate, middle or upper income based on median Family Household Income (FHI) within the census tract and its comparative level to median Family Household Income of PMSA. Tract income level are defined the same as borrower income levels; however, they are based on 1990 U.S. Census data.

Tables 4a and 4b detail the geographic distribution of residential loan originations among the income levels of census tracts comprising the assessment area.

Table 4a

RESIDENTIAL LOANS BY CENSUS TRACT CLASSIFICATION (Number)						
CENSUS TRACT	1998		1999*		TOTALS	
	#	%	#	%	#	%
MODERATE	3	7.0	1	2.1	4	4.4
MIDDLE	40	93.0	47	97.9	87	95.6
TOTALS	43	100.0	48	100.0	91	100.0

Source: HMDA/LAR Data

Table 4b

RESIDENTIAL LOANS BY CENSUS TRACT CLASSIFICATION (Dollar Amount)						
CENSUS TRACT	1998		1999*		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
MODERATE	220	5.4	45	0.9	265	2.9
MIDDLE	3,853	94.6	5,080	99.1	8,933	97.1
TOTALS	4,073	100.0	5,125	100.0	9,198	100.0

Source: HMDA/LAR Data

The preponderance of residential loans (95.6% by number and 97.1% by dollars) was granted within the middle income census tracts. There are eight middle income tracts, which represent 88.9% of the nine tracts comprising the assessment area. The bank's residential lending within the moderate-income tract represents 4.4% by number and 2.9% by dollar amount of the loans granted. Overall, the distribution of lending is reasonably proportional to the assessment area's census tract composition.

The bank's geographic distribution of loans was compared to the aggregate distribution for all other HMDA lenders and to the distribution of 1-4 family owner occupied dwellings within the assessment area. The following table provides this comparison.

COMPARISON OF BANK'S CENSUS TRACT DISTRIBUTION TO AGGREGATE DATA¹										
CENSUS TRACT INCOME CATEGORY	1-4 FAMILY OWNER-OCCUPIED PROPERTIES		METHUEN CO-OPERATIVE BANK 1998				1998 AGGREGATE DATA			
			NUMBER OF LOANS		DOLLAR AMOUNT		NUMBER OF LOANS		DOLLAR AMOUNT	
	#	%	#	%	\$(000)	%	#	%	\$(000)	%
MODERATE	507	5.0	3	7.0	220	5.4	99	3.7	8,909	2.5
MIDDLE	9,636	95.0	40	93.0	3,853	94.6	2,609	96.3	344,747	97.5
TOTAL	10,143	100.0	43	100	4,073	100	2,708	100.0	353,656	100.0

Source: 1990 Census Data, HMDA/LAR Data ¹©PCI Services, Inc. CRA WIZ

The comparison with the aggregate HMDA lenders' data indicates the level of lending opportunities that exist within the respective census tracts. The bank's level of mortgage loans within the middle income geographies is proportional to the aggregate HMDA lenders' distribution. Furthermore, the bank's lending within the moderate-income census tracts (by number and dollars of loans) exceeds the aggregate lenders' level. The bank's geographic distribution exceeds market parity by approximately one loan. The bank's distribution in 1999 declined. However, for the combined years the distribution of loans remains slightly above the aggregate levels. Overall the bank's geographic distribution of loans reasonably reflects the distribution of housing units within the various census tracts.

In conclusion, Methuen Co-operative Bank's geographic distribution of residential loan originations is reasonable given the assessment area's demographics and the comparative HMDA aggregate data. The institution's performance for this criterion meets the standards for a satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Methuen Co-operative Bank received no complaints concerning its CRA performance for the period reviewed. The bank's loan policy includes a fair lending statement prohibiting "discrimination of any kind with respect to the borrower's race, color, religion, national origin, sex, marital status, age, the receipt of public assistance or the borrower's good-faith exercise of rights under the Consumer Credit Protection Act." The Board of Directors reviews and approves the bank's loan policy, annually. Overall, Methuen Co-operative Bank's fair lending policies and practices meet standards for a satisfactory performance. The following details the bank's fair lending practices based on guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

STAFF TRAINING

Methuen Co-operative Bank provides compliance training to all its employees. This training includes attendance at outside seminars appropriate to the individual's job duties and in-house training conducted at staff meetings or by informational training videos.

The majority of the bank's employees viewed a video presentation entitled "CRA: Making a Difference in the Community" on May 5, 1998. The staff member responsible for Home Mortgage Disclosure Act (HMDA) attended a HMDA reporting seminar on February 8, 2000. This seminar also covered HMDA analysis and use as it relates to fair lending issues. The CRA Officer attended a FDIC sponsored compliance seminar, which included a discussion on CRA violations and HMDA and other fair lending related violations.

STAFF COMPOSITION AND COMPENSATION

Currently, Methuen Co-operative Bank has fourteen full -time and three part-time employees. There is one minority staff member, who is bilingual in Indian.

The bank employs two salaried loan officers and one outside mortgage originator, who is paid on a commission basis. The outside loan originator is considered an employee of the bank, since this individual receives a full employee benefit package. Methuen Co-operative encourages all loan requests regardless of the loan amount. The outside originator was hired to provide more flexible service to loan applicants and to promote the bank's mortgage products.

OUTREACH

Methuen Co-operative Bank ascertains community credit needs through its support and involvement in community organizations. The institution participates in several organizations that deal with credit, housing or economic development issues. These community-based organizations include; Methuen Downtown Association, Merrimack Valley Chamber of Commerce, Greater Lawrence Revolving Loan Fund, and the Methuen Board of Trade.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Management reviews credit products and underwriting standards on an on-going basis to ensure that the credit needs of the assessment area are being met. The bank's mortgage underwriting guidelines conform to secondary market guidelines, utilizing qualifying ratios of 28%/36%. Methuen Co-operative Bank looks largely to secondary market products to expand its offerings of mortgage loan products. The bank recently began offering jumbo mortgage loans through GE Capital.

Methuen Co-operative Bank offers an in-house first time buyer program that features a reduced rate 5/1 ARM with reduced closing costs. This program does not offer flexible underwriting guidelines in terms of expanded qualifying ratios (33%/38%) and requires a 5% down payment. The program is offered for 1-2 family dwellings and condominiums located in Methuen. The bank granted a total of seven loans since the program's inception.

Additionally, mortgage product offerings include fixed rate mortgages and adjustable rate mortgages/ARM's (1 Year, 3/1, 5/1, 7/1) with terms up to 30 years and Loan to Value (LTV) up to 95%. The bank offers an unsecured home improvement loan (maximum loan amount of \$10,000), a fixed rate home equity (maximum loan of \$25,000) and home equity lines of credit (maximum line of \$100,000). Both equity loans/lines required an LTV of 80%.

Consumer loans offered include new and used car loans (maximum term of up to 48 months), unsecured personal loans (maximum loan amount of \$5,000) and passbook loans.

MARKETING

Methuen Co-operative Bank utilizes print and cable television to reach residents of the assessment area. The bank advertises in The Eagle Tribune's Greater Lawrence edition, a daily newspaper serving Methuen, Lawrence, Andover and North Andover. The print advertisements included mortgage services offered, promotion of the new "outside" originator and promotion of a low rate 10-year mortgage offering. The cable TV/Media One ads are public image advertising promoting the bank's new office.

CREDIT EDUCATION AND COUNSELLING

The bank does not offer or participate in any homebuyer education seminars or any form of credit education seminars. Loan applicants are educated about credit products and loan qualification requirements through the loan inquiry and application process. Methuen Co-operative Bank will re-institute sending delinquent mortgage borrowers the "Notice of Availability of Homeownership Counseling Services" in the near future.

SECOND REVIEW PRACTICES/INTERNAL CONTROL

Methuen Co-operative Bank has a written second review policy. This policy calls for all denied mortgage loan applications to be audited by an independent internal control individual prior to the adverse action notice being issued. In addition, all withdrawn applications are to be reviewed and analyzed "to ensure that applicants have not been unfairly counseled to withdraw".

MINORITY APPLICATION FLOW

Methuen Co-operative Bank received a total of 5 residential loan applications from minority applicants within the assessment area for the two years reviewed. This represented 4.9% percent of all applications from within the assessment area. The review compares the

bank's performance with the 1998 HMDA aggregate lenders' data and with the racial composition of the assessment area. The bank's 1998 minority application flow of 8.0% minority applicants was somewhat above the aggregate lenders' level of 6.6% of minority applicants. However, the bank attracted only one minority applicant during 1999 representing 1.9% of all applications received within the assessment area. (See the table below for further details.)

MINORITY APPLICATION FLOW								
RACE	AGGREGATE 1998 DATA		BANK 1998		BANK 1999		TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	7	0.3	0	0.0	0	0.0	0	0.0
<i>Asian</i>	60	1.6	0	0.0	1	1.9	1	1.0
<i>Black</i>	30	0.8	1	2.0	0	0.0	1	1.0
<i>Hispanic</i>	115	3.1	2	4.0	0	0.0	2	1.9
<i>Other</i>	31	0.8	1	2.0	0	0.0	1	1.0
TOTAL MINORITY	243	6.6	4	8.0	1	1.9	5	4.9
<i>White</i>	2,443	66.4	46	92.0	52	98.1	98	95.1
<i>NA</i>	991	27.0	0	0.0	0	0.0	0	0.0
TOTAL	3,677	100.0	50	100.0	53	100.0	103	100.0

Source: PCI Services, Inc., CRA Wiz Software.

As of the 1990 U.S. Census, the assessment area population was 40,020 residents of which 2,648 individuals or 6.6% were members of a racial minority. The assessment area's minority population is Native American (0.0%), Asian (1.3%), Black (0.6%), Hispanic (4.7%) and Other (0.0%).

Overall, Methuen Co-operative Bank attracted a reasonable level of minority applicants given the comparative HMDA aggregate data and the assessment area demographics.

CONCLUSION

The institution has a satisfactory record of developing and implementing fair lending policies and practices. This rating is based on regular contact with organizations/individuals to ascertain community credit needs, regular efforts to review denied mortgage applications, efforts to market the bank's credit products, on-going fair lending staff training and a reasonable level of minority applications.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

METHUEN CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 10, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
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_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.